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SENSITIVE
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SUBJECT: JAPAN ECONOMIC SCOPE FOR AUGUST 22, 2008

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[1](#)1. (U) This cable contains the Japan Economic Scope from August 22, 2008.

Business

[1](#)2. (U) Honeywell International Files Patent Case with ITC against Four Japanese Companies

Japanese media (and Reuters) report that U.S. technology manufacturer Honeywell International filed a case with the International Trade Commission (ITC) against four Japanese companies and their U.S. subsidiaries (eight companies in total) on August 19, 2008 for possible patent infringements of its automotive multimedia display and car navigation system. The four Japanese companies are Alpine Electronics Inc., Denso Corporation, Pioneer Corporation, and Kenwood Corporation. The media reports that ITC is still considering whether to investigate the case.

[1](#)3. (U) Japan's New Housing Starts Continue to Drop

Supply of new condominiums in the Tokyo region fell for the eleventh straight month in July as increased prices dealt a further blow to the housing market, according to the Real Estate Economic Institute as reported by Jiji Press August 19. While the article noted Tokyo's new condo supply fell 44.5 percent, Tokyo accounts for only 10 percent of total housing in Japan. The Tokyo metropolitan area includes Tokyo, Saitama, Chiba and Kanagawa prefectures

Environment and Energy

[1](#)4. (SBU) Automakers, GOJ Struggle to Bring Electric Cars into Mainstream

Ministry of Land, Infrastructure, Transportation and Tourism (MLIT) officials and auto industry representatives report they have joined forces to make electric cars more of a mainstream option for ordinary consumers.

GOJ officials recently detailed for econoffs incentives to spur an environmentally friendly transportation industry. MLIT's annual budget for development and promotion of low pollution cars includes 2,233 million yen (\$204 million) to introduce large eco-vehicles like buses and trucks. They have also budgeted 482 million yen to promote R&D for next generation low emission vehicles, 64 million yen for promoting practical application of fuel cell/battery, and 31 million yen for the evaluation of safety and ecology of new fuels. The GOJ provides tax breaks for car owners based on specified fuel efficiency targets. For all electric and CNG cars, the automobile

tax is reduced 50 percent. The GOJ makes available modest interest rate loans (1.4 percent) for acquisition of low emission electric, hybrid, and CNG cars.

15. (U) Retail Gasoline Prices Continue to Fall

The nationwide retail price of regular gasoline averaged 183.2 yen/liter (around \$6.31/gallon) on August 18, the second straight week of decline from a peak of 185.1 on August 4, Nikkei reported based on data from the Oil Information Center. The paper reported that many gas stations lowered prices during the mid-August Obon holiday period, citing decreasing demand, and quoted an oil company official's prediction that "August sales will likely plunge to a record low." Nikkei previously reported that July retail gasoline sales by volume were down 8.9 percent from the year prior. (Note: Tokyo 2292 reports on GOJ officials' and energy economists' near-term forecast and factors contributing to the decline in gasoline prices. End note.)

Insurance and Investment

16. (U) Tokio Marine to Acquire Midsize U.S. Insurer

Tokio Marine Holdings, Inc. (TMHD) announced recently it will buy mid-size U.S. non-life insurer Philadelphia Consolidated Holding Corp. for about 500 billion yen (\$4.7 billion) by the end of this year. According to TMHD, the acquisition is designed to gain a solid foothold in the U.S. insurance market, to expand the size and profitability of its overseas operations, and to better balance the overall business portfolio. This is the largest foreign acquisition

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by a Japanese financial institution, according to media reports. Philadelphia Consolidated is listed on the Nasdaq Stock Market and offers commercial property and casualty products and services and professional liability insurance products for targeted markets.

Foreign Relations

17. (SBU) GOJ Pledges \$1 Million in Emergency Humanitarian Aid to Georgia

Japan will provide up to \$1 million in emergency humanitarian aid to Georgia, MOFA announced August 15. The GOJ made the announcement to signal its willingness to provide assistance in anticipation of flash appeals from international organizations, though the International Committee for the Red Cross is so far the only organization to make such an appeal, according to the MOFA contacts.

MOFA will decide soon how the GOJ will distribute the assistance. While media reports indicate Japan is to provide food, medicine, blankets and tents, MOFA reports that it has not yet determined the exact nature of the humanitarian assistance to be provided.

Trade

18. (U) Japanese Exports to China Surpass Those to the United States

China surpassed the United States for the first time in the post-war period as Japan's largest export destination in July 2008, according to figures released August 22 by the Ministry of Finance. Japanese exports to China grew 16.8 percent year-on-year to 1.28 trillion yen in July, while those destined for the United States dipped 11.5 percent to 1.27 trillion yen, the second straight month of double-digit decline. Exports to China rose for the 38th consecutive month through July, led by demand for light oil, semiconductors and other electronic parts. Meanwhile, exports destined for the United States declined for the eleventh straight month, a reflection of the U.S. economic slowdown. Shipments of auto parts and automobiles were among those listed as especially weak. While exports to Greater China, including Hong Kong and Macao, have outstripped those to the United States since May 2007, it is the first time that shipments to China itself, excluding the

country's two administrative regions, have exceeded those to the United States.

19. (U) This SENSITIVE BUT UNCLASSIFIED e-newsletter from U.S. Embassy Tokyo's Economic Section, with contributions from the consulates, is for internal USG use only. Please do not forward in whole or in part outside of the USG.

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